

The Future of Finance

The Global Finance and Investment Outlook: Charting technological shifts and new global flows



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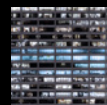
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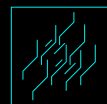
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CEO's Message

The global financial services industry is in a new era. One marked by rapid and far-reaching transformation, fuelled by a redrawing of the global capital landscape, a shift of the economic centre of gravity eastwards, the emergence of new economic corridors and the revolutionary impact of AI. Against this backdrop, DIFC holds a distinctive position in the future of finance. Dubai is a gateway to the region's emerging economies and a centre for global wealth and capital, strategically positioned between East and West, giving DIFC unique access to sovereign, institutional and private capital pools. We are well-positioned to harness these emerging trends and stand ready to continue helping finance professionals navigate this shifting but transformative environment.

We are proud to share the inaugural report in our new Future of Finance series. This is the first of six reports which will be released throughout 2025. They are informed by a roundtable that we held at DIFC at the end of 2024, which brought together senior financial services leaders to discuss the key themes shaping the Future of Finance. We have also leveraged network-based research to inform our findings on the forces reshaping the global financial services sector. This report addresses critical questions such as: Where will capital be heading in 2025? What are the growth opportunities of the future? How can financial services firms capitalise on these new opportunities?

DIFC's supportive ecosystem comprises innovation-friendly and forward-thinking regulations and laws, as well as a diverse and thriving community of over 6,900 companies and 46,000 professionals. We are actively nurturing the next generation of industry professionals, equipping them to lead tomorrow's financial services industry. Closing the global talent gap was a key issue identified by leaders during our roundtable discussion and granted further attention in our report. Central to DIFC's commitment to talent development is our DIFC Innovation Hub, an accelerator which aims to create the largest cluster of AI and tech companies in the region. As the premier global financial hub in the Middle East, Africa and South Asia (MEASA), DIFC is contributing not only to the growth of Dubai and the region but global finance more broadly.

We hope you enjoy reading this report, which offers critical insights and practical guidance for industry stakeholders on the forces that will define the future of finance.

Arif Amiri
Chief Executive Officer
DIFC Authority



Executive summary



The financial services industry is undergoing a fundamental transformation driven by dynamic global shifts and technological advancements. The future of finance will see financial services firms and investors adapt to a shifting landscape shaped by a redefining of global capital, new growth opportunities in emerging markets and the emergence of new economic corridors. Markets such as MEASA and ASEAN and associated corridors such as the Gulf-Asia corridor are becoming more interconnected and significant engines of growth.

At the same time, the shifting boundaries and flows of traditional capital pools, alongside expanding private markets and greater access for retail investors, are signalling a more diverse and inclusive financial service ecosystem with broader participation. Meanwhile, AI and digital assets are set to reshape the industry, unlocking innovation and efficiencies while presenting new opportunities for investment. Still, emerging trends are underscored by financial, regulatory and global geoeconomic uncertainties that the industry will need to navigate.

The future of finance is poised to become more interconnected, inclusive and innovative. Firms and investors who embrace these changes and opportunities stand to benefit, though addressing accompanying risks and maintaining agility will be crucial. The evolving landscape offers significant potential for proactive stakeholders seeking sustained growth and competitive advantage.



Key findings

The global economy is charting a path of moderate yet resilient expansion, despite headwinds. Managing inflation will remain a challenge, as interest rates are not expected to return to pre-pandemic levels in the near term. Still, monetary policy easing will feature in many central banks' agendas in 2025, improving the outlook for equities.

The US will remain a major investment destination. Despite unpredictability in US interest rates and a potential rise in protectionism, investors are encouraged by the US's resilience and strong fundamentals, technological expertise and penchant for innovation.

China is on a moderate growth trajectory. China's economy is projected to grow at 4.5 per cent in 2025, a slowdown from 2024, supported by stimulus measures and low interest rates. Domestic capacity-building will be a growing focus. The RMB will likely make further gains as a trade and finance currency, though CIPS is making limited gains as an alternative to SWIFT.

The economic centre of gravity is shifting eastwards. The economies of emerging markets such as ASEAN, India and Africa are forecast to outpace the rest of the world, driven by an expanding middle class, population growth and digital transformation. The Gulf Cooperation Council's (GCC) economic diversification and reforms are attracting foreign investment into new economic sectors. This eastward

shift presents financial services firms and professionals with new customer bases and investment opportunities in high-growth sectors like FinTech.

Emerging market corridors offer new opportunities. As emerging markets have grown, so too has their interconnectedness with other regions. This has created emerging market corridors, which are becoming increasingly important frameworks for investors considering the current global financial landscape.

There is intensifying competition for skilled talent in the industry. As potential barriers to the movement of goods, services and people emerge in certain regions, new global hubs for talent will gain a strategic advantage. Jurisdictions, such as the UAE, with supportive visa regimes, business-friendly environments and robust infrastructure are well positioned to attract a skilled financial services workforce. This will both strengthen local financial service ecosystems and foster innovation and development in the industry.

The three main uncertainties to the Future of Finance in 2025 are: inflation, protectionism and changing geoeconomics. However, these risks are navigable. Persistent inflation could stall monetary policy easing, dampening growth. Protectionism and tariff hikes – especially under a more interventionist US administration – add further uncertainty, while US-China competition

remains a key market risk that investors must contend with.

Private markets and alternative investments are gaining prominence. Private credit, Islamic finance and other alternative asset classes present high-growth opportunities as investors search for diversification and higher returns. Retail investors are also gaining greater access to private markets, further expanding these segments.

The landscape and dynamics of capital allocation are transforming. As the boundaries between sovereign, institutional and private capital become increasingly blurred, they are seeking diversified and higher-yield opportunities.

Private wealth and the mobility of high-net-worth individuals (HNWIs), ultra-high-net-worth individuals (UHNWIs) and family offices are growing. Globally, generational wealth transfer, family wealth management and succession planning are gaining momentum. As the population of global millionaires and UHNWIs expands, capital is becoming increasingly mobile, flowing to jurisdictions with attractive business and lifestyle environments and favourable tax regimes. This inflow boosts local financial ecosystems, creating demand for wealth management and related FS.

AI will be a major disruptor and investment theme. AI is set to revolutionise the financial

services industry, automating routine tasks, enhancing risk management and improving customer experience. It is quickly emerging not only as a technology disruptor but also as a significant area for investment. With massive investments in AI-related infrastructure, technologies and start-ups, finance will be essential to AI's development – just as AI will be crucial to shaping the future of finance. In parallel, financial institutions face a skills gap: they need professionals who can pair technical expertise with financial acumen to leverage AI and other emerging technologies effectively.

Cryptocurrencies are maturing into a speculative yet increasingly accepted asset class, bolstered by ETF approvals. Still, volatility and risk continue to affect adoption. Simultaneously, central banks worldwide are exploring central bank digital currencies (CBDCs), which enable secure and near-instant cross-border settlements, while tokenisation of assets promises faster transactions, fractional ownership and broader accessibility. Together, these trends accelerate financial innovation but require infrastructure and clear regulatory frameworks to unlock their full potential.

Regulatory fragmentation continues to challenge the global adoption of emerging tech. While a shared focus on transparency and accountability is emerging, divergent regulatory frameworks risk hindering innovation, cross-border interoperability and widespread adoption.

Opportunities for financial services firms

- **Tap into emerging markets and corridors.**
Establish a presence in high-growth regions such as MEASA and ASEAN and capitalise on key emerging market corridors such as Gulf-Asia and GCC-Africa by developing tailored products, building networks, forming strategic local partnerships and increasing exposure to high-growth sectors, such as digitisation.
- **Address the talent gap with strategic workforce development.**
Rising protectionism is expected to impact global trade and talent flows, spurring talent to migrate to more immigration-friendly hubs like the UAE, and more specifically, Dubai. Overcome the talent shortage by attracting and retaining skilled professionals through competitive compensation, continuous training programmes and partnerships with educational institutions.
- **Expand investment in AI and advanced technologies.**
Invest in AI to enhance operational efficiencies, improve risk management and deliver personalised customer experiences. To integrate emerging technologies effectively, firms should create clear strategies, invest in infrastructure and equip teams with the necessary technical and analytical skills. Firms should promote learning and adaptability to sustain technology-driven growth and competitiveness.
- **Capitalise on the expansion of private wealth.**
HNWIs, UHNWIs and family offices have an increasing amount of capital at their disposal. Families and related institutions have a unique opportunity to build generational wealth by creating new asset bases in lower tax jurisdictions. Global financial services firms should consider how their services are catered to the unique needs of this class of investors and increasingly important source of capital.
- **Cater to the evolving preferences of new generations of family offices.**
Unlike previous generations, younger inheritors have different values and approaches to money, emphasising factors such as tech opportunities, sustainability and social impact investing. Wealth managers who can capture these evolving preferences will benefit.



Introduction



The future of finance is undergoing a profound transformation. The next one to three years are set to reshape the global financial services ecosystem. Key drivers such as emerging markets and corridors, global uncertainties, shifting capital flows and technologies such as AI and digital assets are central to this evolution. These forces are unlocking new opportunities and reshaping financial services, demanding unprecedented agility and innovation.

Emerging markets such as ASEAN and MEASA are becoming critical engines of growth, while advanced economies like the US and China will continue to play pivotal roles in the global financial services ecosystem. The capital landscape is also shifting, with sovereign, institutional and private capital pools increasingly converging. High-growth opportunities beyond AI are emerging, including private credit and Islamic finance. Retail investors are also gaining greater access to alternative investments, creating a more inclusive global financial ecosystem.

Shifting forces within global finance are reshaping how capital is mobilised, allocated and utilised, driving growth and innovation across sectors and geographies. These fundamentally positive shifts are creating a more dynamic and interconnected global financial system. The financial services industry also faces some uncertainties, including persistent inflationary pressures,

rising protectionism and new dynamics in US-China relations. Overall, the future of finance will offer financial services firms and professionals opportunities to seize and challenges to surmount.

This report has been informed by a private, in-person roundtable held at the Dubai International Financial Centre (DIFC) in November 2024. Attended by 24 senior finance and business leaders, this candid forum explored critical themes, markets and sectors shaping the future of finance. Key insights from this roundtable are included in this report but not attributed to any individual or organisation.

This edition, which will be the first of six such reports in 2025, also incorporates desk-based research and insights from individual interviews with senior business leaders, including Jinny Yan, Managing Director and Chief China Economist at ICBC Standard Bank, and Tanuj Kapilashrami, Chief Strategy & Talent Officer at Standard Chartered.



1. Investment outlook: Where will capital flow and why?

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1.1 Global investment outlook

Despite persistent economic headwinds, the global economy is charting a course of moderate yet resilient expansion. According to the World Bank, global growth in 2025–2026 will be 2.7 per cent – a healthy rate, although slower than pre-pandemic levels.¹ Managing inflation will continue to be a central challenge for major economies, with interest rates not expected to return to pre-COVID levels in the short to medium term. Roundtable participants agreed that interest rates remain unpredictable and pose challenges to delivering returns to investors.

Monetary policy easing will feature in many central banks' agendas in 2025. While lower rates will encourage growth and enhance the appeal of equities relative to fixed-income markets, governments will seek to ensure they do not restart inflation. Financial services firms will likely see increased borrowing but with lower returns.

In December 2024, the US Federal Reserve indicated it would slow the tempo of rate reductions due to stubborn inflation.² This has led to further US dollar appreciation and may encourage investors to hold on to US cash and fixed-income holdings for longer. Relative to a broad basket of currencies, the US dollar climbed by 7 per cent in 2024.³ It has risen by approximately 15 per cent since 2020.⁴ In January 2025, the dollar reached its highest level against major currencies since November 2022.⁵ Dollar appreciation could support

export-led emerging market economies with a large US market share. A slowdown in rate reductions in the US is likely to keep global borrowing costs higher for longer, including in emerging markets that wish to discourage capital flight to the US and in GCC members, which peg their currencies to the US dollar.

The US will continue to be an attractive investment destination. Rate reductions will continue, albeit at a slower pace, and its economy faces a soft landing. Investors expect President Trump's pro-business and anti-bureaucracy stance to generate growth through de-regulation and lower taxes. US equities have rallied since his election, with trading volumes and index market caps also rising. Despite a prolonged period of higher interest rates, the world's largest economy has shown its resilience with robust growth in both jobs and corporate profits. Earnings growth is expected to rise from 9 per cent in 2024 to 14 per cent in 2025.⁶ Strong fundamentals and leadership in the tech sector are expected to continue to attract investment in the US economy.

Trump has publicly pledged to raise tariffs on imports, including from China, to protect US manufacturing and jobs. At the time of publication, the scale of tariff rises remains unknown, but any such protectionist measures will be a risk for markets with sizeable US exports, such as China and the Eurozone. Higher tariffs could impose costs



on US importers and firms with international exposure, spurring inflation. Trump's proposed tax cuts could also encourage inflation, which may keep interest rates higher for longer.

China's growth prospects have dimmed over recent years, but the economy is still projected to grow at a healthy 4.5 per cent in 2025.⁷ A continued correction in the domestic property market is possible, with an accompanying spillover into broader markets that could weigh on household and investor sentiment. The pace of listings has slowed in China. Listings totalled USD 9.3bn in 2024 versus USD 48.6bn in 2023.⁸ Prices remain in check, with inflation at 0.2 per cent in 2024, while interest rates are low and are likely to remain so.⁹ Recent and future fiscal stimulus measures may assist growth by increasing consumption. While inward and outbound investment could decline due to investors' lower risk appetite, domestic capacity-building will likely be a greater focus moving forward, including in strategic areas such as manufacturing, electric vehicles, renewable energy and emerging tech, all of which present investment opportunities.

The RMB could make further advances as a trade and finance currency. The currency has nearly doubled its share of total global payments over the past four years, rising from 2 per cent to 3.9 per cent between 2020 and 2024.¹⁰ Its rise implies that Chinese government bonds will gain greater relevance as a global asset class, alongside more RMB-dominated

asset classes generally. CIPS, as an alternative payment system to SWIFT, is making limited gains, with about 1,500 participating institutions – roughly a third of which are in mainland China – compared to SWIFT's more than 11,000.¹¹ The US dollar will remain the default global currency for the foreseeable future, accounting for 47.7 per cent of international payments.¹² However, there are opportunities for financial services firms that can facilitate the growing internationalisation of the RMB, especially through the provision of innovative RMB-denominated financial products and services.

The economic centre of gravity is shifting eastwards, presenting growth opportunities in emerging markets. The ASEAN economy, for example, is poised to expand by 4.7 per cent in 2025, outpacing global growth.¹³ Growth will be supported by rising populations and an expanding middle class, which will drive demand for consumer goods and services. The flourishing consumer base presents opportunities for financial services firms. In particular, the region's rapidly growing digital economy – projected to reach USD 1trn by 2030 – offers significant opportunities, especially for FinTechs.¹⁴ Growth will be supported by economic reforms aimed at attracting foreign investment. ASEAN is solidifying its position within the global trading landscape via the brokering of the Regional Comprehensive Economic Partnership (RCEP). The region's deep integration with both US and

Chinese economies may make it sensitive to external shocks, including heightened trade tensions or a slowdown in China's economy.

In the MEASA region, the GCC's economic diversification and reforms have encouraged foreign investment into new economic sectors and growth in the financial services industry as it seeks to provide services to new investors and businesses. The influx of wealth and talent prompted by these reforms has also benefited local banks and insurance providers and attracted asset managers looking to tap into and manage new pools of wealth. Roundtable participants cited MEASA as a very attractive market for insurance. One participant noted that unlike previous upcycles, which were directly tied to oil prices, current growth is linked to GCC economic diversification and is expected to continue. Reinsurance and retail insurance are sectors to watch, and key developing themes are tech adoption, cyber risk and biometrics for insurance solutions.

India's economy is expected to grow a robust 6.6 per cent in 2025 and 6.8 per cent in 2026, driven by increased government spending and favourable monetary and fiscal policies.¹⁵ Long-term prospects remain strong, particularly as domestic consumption rises, driven in part by an expansion of India's wealthy and middle-class populations, which are estimated to grow by 400mn people by 2029.¹⁶ An expanding digital economy, driven by a policy push for digital transformation,

will play a key role and present investment opportunities. So, too, will India's healthcare sector, buttressed by growth in its ageing population and rising spending on healthcare, including on the expansion of hospitals and local drug production.

Africa presents another significant opportunity. Its young and burgeoning population, expected to reach 2.5bn by 2050, and prospects for strong economic growth, estimated at 4 per cent in 2025, are cause for optimism.¹⁷ Digital adoption is also rising: internet access increased from 26 to 36 per cent from 2019 to 2022, with a noteworthy 27 to 55 per cent surge in North Africa.¹⁸ While internet penetration remains below global averages, it is on a clear upward trajectory. The payments sector stands out as an attractive prospect, with the rise of mobile money platforms and digital wallets catering to vast unbanked and underbanked populations. As African firms grow in size and stature, they will need partners, creating further opportunities.

Latin America (LATAM) is forecast to post solid economic growth of 2.7 per cent in 2025, despite global fluctuations.¹⁹ Inflation has been trending downward, from 8.2 per cent in 2022 to 3.7 per cent in 2023, and is expected to ease further, in line with central banks' target range of 3 per cent.²⁰ A standout sector in the region is FinTech, which continues to grow exponentially: between 2017 and 2023, the FinTech ecosystem in LATAM and the

Caribbean grew a substantial 340 per cent as it targeted unbanked and underbanked populations.²¹ Brazil, Mexico and Colombia account for 57 per cent of providers and will likely remain LATAM's key FinTech hubs.²²

As emerging markets have developed, so too has their interconnectedness to other regions. This has created emerging market corridors that are becoming increasingly important frameworks for investors considering the current global financial landscape. The Gulf-Asia corridor and the GCC-Africa corridor are key examples. One roundtable participant noted increasing Gulf interest in China, and Asia more broadly, especially in capital market collaboration.

Structural drivers are contributing to these shifts. In many developed countries, ageing populations and declining birth rates are curbing consumption while increasing pension and healthcare liabilities, thereby hampering economic growth and their ability to replace shrinking workforces. As a result, there is more room for expansion in key emerging markets. Meanwhile, demographic imbalances are contributing to migration flows as people seek opportunities elsewhere. These population movements are reinforcing connectivity within emerging corridors and are spurring new opportunities for cross-border trade, investment and innovation. This is contributing to a decoupling between real economic flows and financial flows, leading to greater

investment and asset allocations in new markets.

Growing financial and capital market connectivity within and between these corridors is creating opportunities for global banks that can facilitate connections in trade finance. In 2024, international trade rose 3.3 per cent to a record high of nearly USD 33trn.²³ There has been an uptick in free trade agreements (FTAs), encouraging further growth in emerging inter-regional corridors and regional pockets of globalisation. The UAE has been at the forefront of bilateral dealmaking with its Comprehensive Economic Partnership Agreement (CEPA) programme. Since the programme's inception in 2021, the UAE has signed 24 agreements covering 2.5bn people globally, contributing to growth in non-oil trade and foreign investment.²⁴ Expected further growth in CEPAs will enhance strategic global partnerships. Financial centres within these corridors stand to benefit from increased economic activity, including Dubai, which is strategically located between the Gulf-Asia corridor and the GCC-Africa corridor.



Interview with Jinny Yan, Managing Director and Chief China Economist, ICBC Standard Bank



Jinny joined ICBC Standard Bank in early 2016 as Chief China Economist, and leads the China macro research team. Her focus is to deliver market relevant insights to global investors and stakeholders. Her team launched the Belt and Road Economic research series, which offers unique insight into China's growing connectivity across emerging economies.

Prior to joining ICBCS, Jinny was a London-based Senior Economist at Standard Chartered Bank, with coverage of China-Europe macro themes. Widely recognised as a China and Renminbi expert in London, she makes frequent appearances in media and at high-level conferences.

→ What is China's economic outlook over the coming year?

2025 will see three key themes for China's outlook: De-risking, Diversification and Domestic Capacity. The priority remains to de-risk China's economy, particularly in sectors with large debt burdens, such as real estate and finance. De-risking is crucial to unleashing China's investment and consumption capacity. When we listen to Chinese policymakers, they often talk about stabilisation. This is not necessarily about creating new momentum in the way we saw after the 2007-2008 financial crisis but about stabilising China's fundamental growth. A very important factor right now is sentiment and working to ensure household and corporate sentiment are at least turning positive.

→ What stimulus measures has China introduced to improve its economic outlook, and what measures can we expect in the future?

One clear measure that came out of the Central Economic Work Meeting at the end of 2024, and likely to be echoed in the upcoming Two Sessions meeting in March, is continued loosening of monetary policy, coupled with adopting a proactive fiscal policy stance to ensure both central and local government efforts are aligned.

We may see the central government increase the size of its spending power by allowing for a higher debt-to-GDP ratio, or increasing the supply of special-purpose and local government bond issuances.

The central government will be cautious in its approach, however, to prevent local governments from sinking deeper into debt. Local governments also need to become less reliant on central government fiscal resources and land sales, and instead create their own sustainable sources of fiscal revenue.

The central government is keen for each local government to develop its own package of measures. The central government has laid out a roadmap and policy framework for stabilising the economy, but 2025 will see more emphasis on how local governments should tailor and implement this framework to adapt to regional economic conditions.

Other measures will focus on consumption, and we await further details from the government on how to boost spending on an aggregate level. While China's income growth is stable, it is still lagging GDP growth. So, there is a need to either boost overall income growth, or further reduce the burden of social welfare costs – both in urban and rural areas – in order to unleash household consumption.

Sentiment, in general, has waned due to ongoing uncertainties related to the impact of geopolitical tensions to trade, and falling asset prices, so we need a meaningful turnaround in sentiment to boost consumption.

→ What sectors or assets should investors be looking at within the Chinese market? How can investors be best connected to these opportunities?

I want to bring in the two other "D"s that I touched on in my first answer: Diversification and Domestic Capacity. With an increasingly uncertain external environment, and with 2025 being the final year of the 14th five-year plan, efforts will be ramped up to unlock domestic capacity. Continued efforts will be made to ensure sectors where China is already competitive, such as in new energy vehicle (NEV) production, new energy infrastructure and high-end manufacturing, continue to gain leading status in global supply chains. Other sectors, such as the so-called "silver economy", seek to address structural shifts in China's economy, namely an increasingly ageing population.

Chinese consumers are being more selective about their spending, favouring spending on necessities over luxury items and experiences such as domestic travel

over non-essential goods. Therefore, encouraging growth in sectors that match the changing profile of Chinese consumers could be a big opportunity for foreign businesses with operations in China. Furthermore, in terms of diversification, it will be necessary to continue research, innovation and technological adoption, particularly in emerging technologies such as AI. With a shrinking labour force, AI and robotics are naturally a growth area in China to maximise productivity, but employment opportunities in these sectors are limited, and potentially not readily accessible enough to absorb the job opportunities lost in traditional sectors such as real estate and construction.

Services sectors, which now employ around half of the workforce, continue to attract public and private investment, not just in 2025 but beyond.

→ **RMB usage as a currency has increased over recent months and years. What is the outlook for the RMB in 2025 and beyond?**

The RMB is cementing its position as a top-five currency. We see greater use of the RMB as a trade settlement, accounting and investment currency. With the RMB's rise, asset allocation in Chinese government bonds (CGBs) has become more relevant as a global asset class and could feature increasingly as

part of investors' asset diversification strategies. Three major global bond indices (Bloomberg Global Aggregate Index, FTSE Russell World Government Bond Index and JP Morgan GBI-EM Index) now include Chinese government bonds. With RMB's rise we will likely see more RMB-denominated asset classes, which could be used as a hedging or diversification strategy to help adapt to uncertain global market conditions.

→ **So, is there an opportunity within global banking and financial services to create more RMB-denominated products and financing solutions?**

Absolutely, and we've already seen evidence of this. The dim sum bond and panda bond markets are popular because financing and funding costs are cheaper onshore in China than raising funds elsewhere. Inflation is lower in China than in other sizeable global capital markets, meaning interest rates will likely remain low for an extended period. So, financial institutions will look for new ways to take advantage of the lower costs of funding denominated in RMB, whether CNH or CNY.

With a growing need for hedging instruments to manage risks associated with operating in multiple jurisdictions, opportunities lie in RMB-denominated

products and associated derivatives offering the ability to hedge against non-liquid currencies. This can be particularly useful in trade settlement as China's international trade with the Middle East, LATAM, Africa, etc., rises. There is an opportunity to design products that will bring down the overall cost to clients involved in increasingly complex global supply chains.

→ **What geographies and sectors outside China are Chinese investors looking to deploy capital towards?**

That's an interesting question. The Chinese investor community has been on somewhat a roller coaster ride recently, particularly as domestic equities and fixed income markets have recently seen many gyrations and continue to face policy uncertainty.

Capital controls still limit how much capital can be invested abroad, but Chinese investors remain interested in countries on their doorstep, with diversified trading partnerships with Chinese companies, such as markets in ASEAN and the Middle East; countries that are reducing barriers to entry for Chinese tourists and investors; and international financial centres where they can mirror the diversification they have built up domestically in China, such as London, Singapore and Dubai.

→ **Over the next one to three years, what regions, sectors or asset classes are expected to outperform?**

China still remains one of the world's most under-invested large liquid economies. It remains deeply focused on building domestic capacity, and yet international investors still consistently underestimate China's domestic potential.

Many geographies have built a much more diverse set of partnerships with China, particularly in the global south-south trade corridor, from a trade and investment perspective and in terms of people-to-people exchanges. The greater movement of capital, labour and people will encourage economic growth. This means China is becoming more integrated within global supply chains and ecosystems, which will build more sophisticated supply chains in China, and also uncover opportunities for investors.

Economies that are relatively open with limited restrictions on capital movement will likely benefit from increasing flows with China, even more so as China's economy stabilises and enjoys continued growth fundamentals over the coming months and years.

1.2 Finance outlook: High growth opportunities within the Future of Finance

AI is poised to revolutionise the financial services industry (see Section 3.1). It is fast emerging not only as a technology disruptor, but also as a significant investment area. Massive levels of investment are pouring into AI companies, alongside supporting infrastructure, such as data centres, chips and power systems, to meet the growing needs of developing AI models. Spending on AI infrastructure could exceed USD 100bn by 2028.²⁵ Much of this will require financing, creating significant opportunities for the financial services industry. Investment extends to utilities, industrials and real estate, also essential for AI's development. 2024 saw a record USD 108.1bn of private investment in deals for data centres and related markets – more than three times what was spent in 2023.²⁶

Figure 1: Private investments in data centres reached an all-time high in 2024²⁷

Private markets will drive AI investment, funding necessary infrastructure and growing early-stage companies. Not all early AI winners will remain dominant over the long term. Investors will need to identify firms with durable and scalable advantages. AI will be key to the Future of Finance, but so too will finance be key to the future of AI.

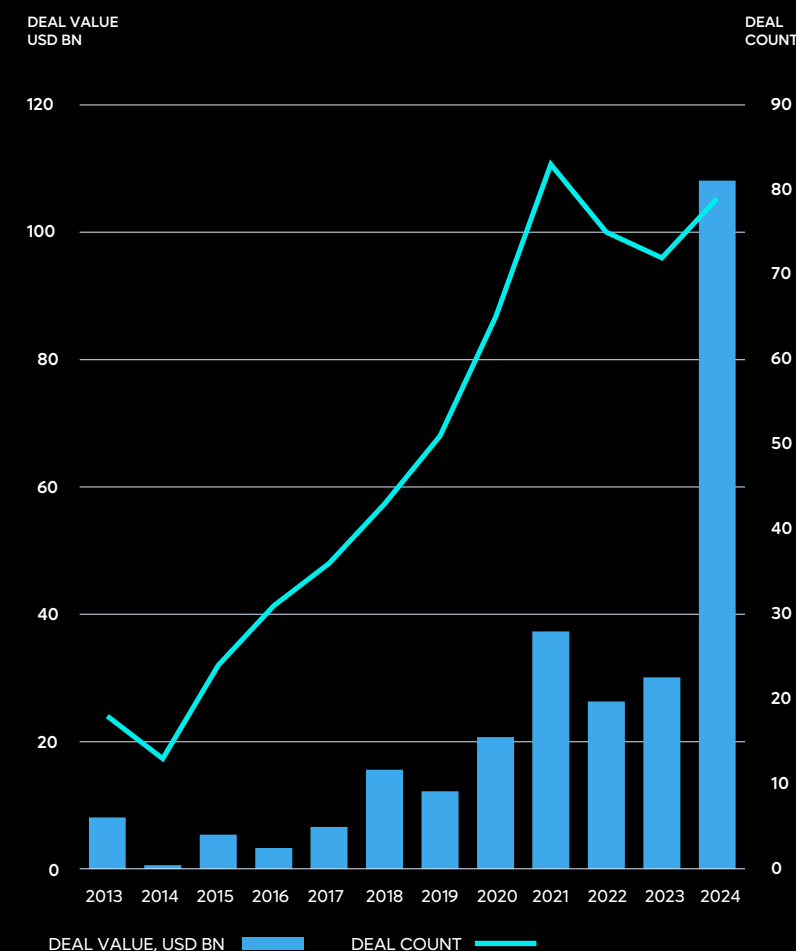
Technology, particularly digitisation, remains a major investment theme. Digitisation will reduce production and business costs, levelling the playing field and spurring growth throughout the global economy. It can also

grow the financial services sector by bringing banking to more people globally. An estimated 1.4bn people worldwide are unbanked.²⁸ Providing them with digital financial services presents a great untapped opportunity for incumbent financial institutions, as well as FinTech and AI companies.

While roundtable participants noted that environmental sustainability seems to have been deprioritised, it remains a key opportunity within global finance. Biden's Inflation Reduction Act (IRA) has stimulated about USD 493bn in clean tech investment since mid-2022.²⁹ Trump may be less focused on green issues, but the legacy of the IRA could still provide stimulus within US clean energy markets. China and the Gulf will also continue investing heavily in renewable energy, with China expected to account for almost 60 per cent of new renewable energy capacity installed worldwide between now and 2030.³⁰ There is a strong pipeline of renewable and green projects but a lack of financing to bring them to realisation. Financial services firms that can help bridge this gap by connecting investors to investable green projects with good returns will stand to benefit.

The issuance of green, social, sustainability and sustainability-linked bonds (GSSSB) peaked in 2021 at USD 1.09trn, up from USD 342bn in 2019, and is now forecast to recover to similar levels, reaching USD 1.05trn in 2024.³¹ However, as countries and companies continue to

**Figure 1:
Private investments in data centres reached an all-time high in 2024²⁷**



implement their sustainability agendas, the issuance of green bonds will likely increase. Europe leads the way in green bond issuance, followed by Asia Pacific.

Figure 2: Amount of green bond issuance by region, 2014-2023 ³²

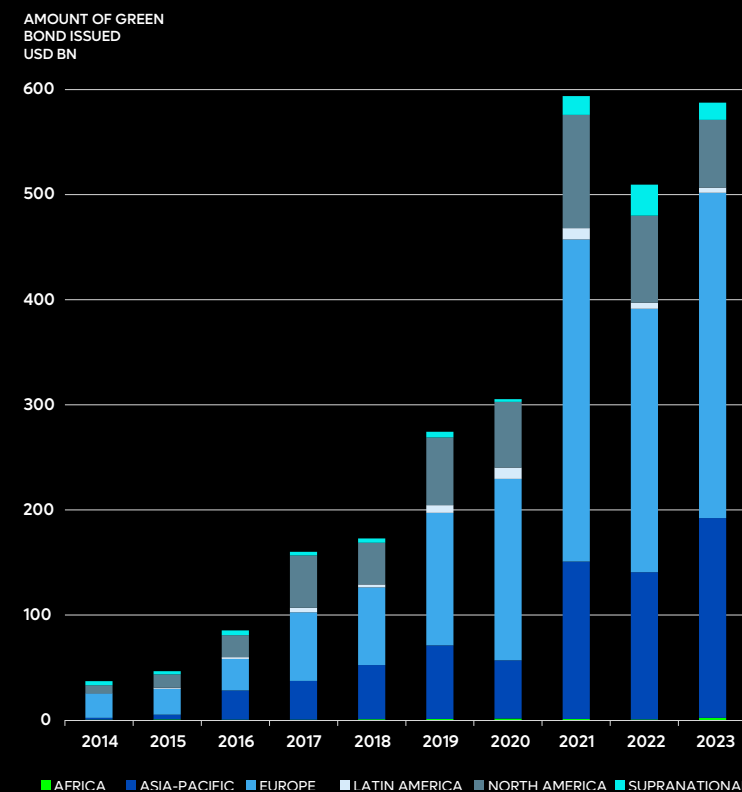
Islamic finance and private credit also present high-growth opportunities and are becoming bigger forces within global finance. Islamic finance has been on a strong growth trajectory, with assets expected to reach USD 6.7trn by 2027, up from USD 3.2trn in 2022.³³ 2024–2025 will likely see high-single-digit growth, following an 8 per cent increase in 2023 (excluding Iran).³⁴ Islamic finance remains focused on a few core markets, namely the GCC, other MEASA countries, Indonesia, Malaysia and Türkiye, and the complexity of transactions and standards poses a challenge for its broader adoption.³⁵ That said, APAC's Islamic banking industry is expected to deliver growth over the next few years, given demand and untapped market potential in Indonesia, Bangladesh and Pakistan.³⁶

Global sukuk issuance is expected to amount to USD 160–170bn in 2024, levels similar to 2023's USD 168.4bn.³⁷ Malaysia remains the largest sukuk market globally, with some 60 per cent of its ringgit debt market in sukuk, followed by GCC countries accounting for 35 per cent of global outstanding sukuk.³⁸ ESG sukuk remains a small but growing market – it comprised 12.3 per

cent of global dollar sukuk issuance in 2024 but is forecast to surpass 15 per cent in the medium term.³⁹ Nasdaq Dubai is the largest ESG sukuk market globally, accounting for over 60 per cent of the dollar-denominated sustainable sukuk and 50 per cent of all-currencies ESG sukuk.⁴⁰ The DIFC exchange's total value of ESG related issuances was USD 27.05bn in early 2024.⁴¹

Private credit has grown exponentially in recent years and presents a significant opportunity in financial services. The size of the private credit market was roughly USD 1.5trn at the start of 2024 and is expected to hit USD 2.8trn by 2028.⁴² Private equity (PE) has been particularly strong, with nearly 70 per cent of private credit deals involving a borrowing company backed by a PE firm.⁴³ While private credit remains focused on North America, regions such as Europe and Asia are also experiencing growth. However, higher interest rates and increasing competition may cause further default and competition in the industry.⁴⁴ Although private credit deal flow in the GCC remains limited, it is expanding in the region, particularly with new lending opportunities presented by a rise in the number of small and medium-sized enterprises (SMEs).⁴⁵ The GCC and Egypt private credit market is expected to grow between 15 to 30 per cent annually over the next five to six years, which suggests a market size of between USD 11bn and USD 30bn within this timeframe.⁴⁶ Private credit also presents a compelling opportunity for family offices in the region, with its higher yield potential and portfolio diversification benefits.

Figure 2:
Amount of green bond issuance by region,
2014-2023 ³²



1.3 Navigating global uncertainties

The outlook for the future of finance is fundamentally positive, but there remain uncertainties and risks which financial services firms and senior business leaders will need to navigate. The three main uncertainties facing the future of finance in the year ahead are inflation, protectionism and new dynamics in US-China relations. These are significant but navigable.

Sticky inflation

Prolonged or sticky inflation could force central banks to slow or halt monetary policy loosening and undermine growth prospects. Inflationary pressures may erode the real returns on bonds and negatively impact stock valuations. Higher interest rates may also make government debt harder to service for some economies, increasing the risk of default.

High interest rates pose a particular challenge for VC and PE firms, which are typically sensitive to the cost of capital. This environment makes it more difficult for funds to secure capital at affordable rates, depressing potential returns on investment. Meanwhile, investor caution in recent years has made the fundraising environment more competitive and challenging. This has resulted in a downturn in PE and VC deal-making activities, returns and exit opportunities.⁴⁷

PwC estimates that 4,000 to 6,500 PE exits have been delayed over the past two years due to inflation and high interest rates.⁴⁸ A similar trend can be seen in VC: there were 220 exits of VC-backed companies with over USD 500mn valuations in 2021, whereas 2024 only saw 40.⁴⁹ With growing pressure to return capital to investors, we may see a rise in PE and VC exits starting in early 2025. However, this will depend on prevailing market conditions, as economic uncertainties could complicate the exit process.

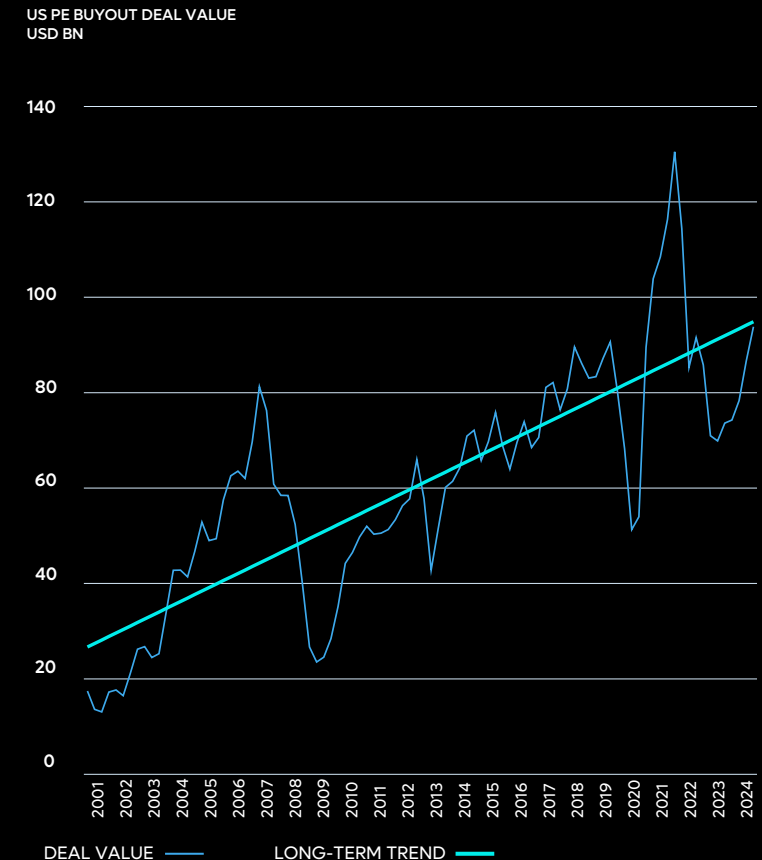
Expectations for lower interest rates already appear to be spurring increased buyout activity in the US.⁵⁰ Q3 2024 saw PE deals increase 36 per cent in value – the highest in two years.⁵¹ PE funds in Europe are taking a more cautious approach due to concerns over exit options.⁵² Despite recent macroeconomic headwinds, we expect PE and VC dealmaking to continue expanding over the next few years, in line with the long-term growth trend.

Figure 3: Expectations of lower interest rates appear to have spurred US PE buyout activity⁵³

Growing protectionism

A rising risk for global finance is protectionism, with nearly 3,000 trade restrictions imposed worldwide in 2023 – five times the number in 2015.⁵⁴ An increase in trade barriers can

Figure 3: Expectations of lower interest rates appear to have spurred US PE buyout activity⁵³



disrupt global supply chains, reducing cross-border investment flows and heightening market volatility. This trend could potentially intensify in the face of increased US tariffs and could complicate the overall risk environment for investors and lead to greater uncertainty in financial markets. Roundtable participants agreed that regulation as a means of protectionism is of concern. Several participants noted that if Trump enacts the protectionist policies promised on the campaign trail, alongside proposed tax cuts and higher deficits, inflation will increase. Upon Trump's return to the White House, he announced planned tariffs of up to 25 per cent on products from Canada and Mexico, and 10 per cent on Chinese products. Tariffs such as these could result in retaliation.

The shift in US-China relations

US-China competition could further intensify in 2025, particularly if we see more protectionist policies. Technology sectors will likely be a prime focus of friction. Multinational companies and financial institutions will need to navigate greater divisions. The US-China rivalry may present opportunities for neutral countries. There may be limits to how far decoupling proceeds as the US and Chinese economies are highly integrated. Policymakers may be forced to exercise some restraint to prevent economic blowback.

Another industry-specific risk identified by financial services professionals during the roundtable was the talent gap within the industry.

Case study: Closing the talent gap in the financial services industry

Worldwide, the financial services industry is facing a talent gap: the shortfall between the skills required by financial services firms and the available workforce qualified for these roles. According to Tanuj Kapilashrami, Chief Strategy & Talent Officer at Standard Chartered, "The war for talent within financial services is nothing new, but it is increasingly becoming a war for 'hot skills'." These include expertise in FinTech and digital transformation, advanced data analytics and AI, regulatory compliance and green skills, which are holding back growth at a cost to the industry.

The UAE has implemented several strategies to improve its standing and attract global talent. Dubai's financial sector has grown exponentially with global heads and senior executives of financial firms and technology companies moving to the Emirate, and demand for skilled talent continues to expand. Roundtable participants agreed

that the UAE is widely seen as an attractive place to work due to its long-term residency visa options, Dubai's construction boom and growing housing stock.

DIFC has also assisted via its DEWS (DIFC Employee Workplace Savings) Plan, which provides progressive end-of-service benefits for employees of DIFC-registered companies. Potential rises in protectionism may further encourage talent flows to more immigration-friendly hubs like the UAE. However, the financial services sector must continue to attract talent to sustain growth and innovation. One participant cited an influx of talent from Africa, South Asia, East Asia and Africa in particular.

Steps taken by the UAE to attract global financial services talent include the establishment of expat-friendly visa policies, most recently the Golden Visa. The government has also cultivated a vibrant start-up ecosystem, particularly in FinTech, to draw entrepreneurial talent and encourage innovation within the traditional financial services sector. Tanuj also notes that "high levels of investment in Middle East technology, banking and FinTech sectors are generating new talent and making the region an attractive hub for entrepreneurial, digital and technology talent". DIFC has played a role here. The total workforce hosted by DIFC grew to over 46,000 in 2024, a 10 per cent increase year-on-year. DIFC, through its Innovation Hub

is also looking to develop the next generation of FinTech talent, aiming to house over 500 global AI and Web3 start-ups and create over 3,000 jobs by 2028.⁵⁵

Simultaneously, the UAE is working to build local capabilities, including through local schools and universities, and forming partnerships with leading global academic institutions, in an effort to gradually reduce dependence on expat talent. The DIFC Academy also plays a role through its executive education functions. In 2024, almost 10,000 people participated in DIFC Academy hosted programmes, raising the number of graduates to over 40,000 since its inception.⁵⁶ However, until efforts fully mature, roundtable participants agreed that the UAE's financial services sector will likely continue to rely on the inflow of expat talent and will need to stay competitive in the race by maintaining such incentives as attractive visa options, favourable living conditions and a low-tax environment.

Interview with Tanuj Kapilashrami, Chief Strategy & Talent Officer, Standard Chartered



As the Chief Strategy & Talent Officer of Standard Chartered, Tanuj heads Corporate Strategy, Bank-wide Transformation and Corporate functions (HR, Brand & Marketing, Corporate Affairs, Supply Chain Management and Corporate Real Estate), and is responsible for how the Bank develops, executes and communicates its strategy. She is a Non-Executive Director on the Board of Sainsbury's PLC, an Associate Non-Executive Director on the Board of NHS England, and a member of the Asia House Board of Trustees. Her first book 'The Skills-Powered Organization – The Journey to the Next Generation Enterprise' has been published by the MIT Press in 2024. Prior to joining Standard Chartered in 2017, Tanuj built her career in banking across multiple markets, including Hong Kong, Singapore, Dubai, India, and London.

→ What key trends will shape the global finance industry over the next 1-3 years?

Broadly, I believe there are four key trends.

Firstly, geopolitics – particularly its impacts on supply chains, trade flows, and us as global banks and how we serve our clients.

Secondly, technology. It has been towards the top of the list for several years. But today the level of change and disruption is more significant than ever before. Emerging technologies such as AI and generative AI are impacting client expectations, disrupting traditional business models and providing several opportunities within FS, including for driving productivity and efficiency, reducing costs and innovating around how we respond to client needs.

Thirdly, we see 'new players' – such as private credit – becoming more prominent in the FS space as an important trend. Their growth could impact global banks' market share over time, meaning forming partnerships with these new players, for example, in PE, private credit and FinTech, will be an important consideration for traditional banks. Many people ask me how traditional banks will continue to stay relevant. I believe that banks will continue to be hugely relevant but to do so, we need to consider alternative ways

to meet client needs. Partnering with the new players to provide innovative and non-traditional services to clients can be a part of the answer.

Lastly, sustainability – and I refer to all three aspects of ESG – has been another big trend and will continue to be incredibly relevant.

→ Moving on to talent. What skills are most needed by financial services firms now and over the next few years?

Banks need a combination of technical and human skills. Given everything happening in sustainability and technology, green skills will be critical, as will training everyone to work with technology intuitively and iteratively. AI will change workplaces, and irrespective of our jobs, everyone will have to use and adopt AI in some of their working practices. Cybersecurity skills have been in demand for a while but will become even more so as the advent of new technologies increases the complexity of risk management. So, green skills, technology skills, digital and data skills and cybersecurity skills will be some of the key technical skills financial services firms need.

The ability to build partnerships will be important in terms of key human skills that financial services firms need. Leadership will also be crucial, but we will require a

different type of leadership to work in an increasingly fast-paced and changing world. The ability to manage change and ambiguity and encourage technological adoption will be important leadership qualities. Managing how humans work and collaborate with AI will also be vital, meaning collaboration and problem-solving will continue to be valued skills, particularly as the uptake and integration of AI will increase.

Financial services firms have an opportunity to be quite creative and imaginative in terms of how they attract talent. At one point, there was a fear that banks would lose out as young talent sought out tech companies. But banks today employ more tech jobs than ever before.

→ AI is shaping a large part of the Future of Finance. How will AI impact the banking sector and the work of financial services professionals?

The scale and pace of AI adoption is unlike any previous technology cycle. People are increasingly using AI in their personal lives, shaping their behaviour as consumers and employees and how they engage with brands. This means consumers' expectations on dealing with their bank and other financial services in a hyper-personalised way will only increase.

AI will also encourage a different set of skills in the workforce. It is bending the supply curve of skills by democratising access to information, talent and opportunities. I've written a book on this topic, *The Skills-Powered Organization: The Journey to the Next-Generation Enterprise*. Since the Second Industrial Revolution, jobs have been the currency of work, but with AI driving the post-Fourth Industrial Revolution, skills will increasingly become the currency of work.

AI will allow us to deconstruct jobs into key skills to get work done. Banks and financial services firms may opt to source those skills differently, and all of this will disrupt the relationship between talent and jobs. Financial services firms will increasingly use AI to build skills in their operations rather than just create jobs.

→ **So, is there a talent gap in the financial services industry? If so, how can the gap be closed?**

The war for talent within financial services is nothing new, but it is increasingly becoming a war for "hot skills". Hot skills, such as generative AI, digital, green skills and data, are increasingly in demand. For companies to succeed in this war, they must change their mindset about sourcing hot skills. Fixed jobs, like pilots in aviation, for example, will still exist, but in the

knowledge economy and financial services sector, talent will have greater flexibility and may opt for 'gig working' to make the most of their skills. So, companies will need to focus more on building, buying and borrowing skills rather than the traditional approach of creating and providing jobs.

→ **Where will the next global hub for financial services professionals and talent emerge from?**

A few years ago, traditional centres like New York, London, Dubai, Hong Kong and Tokyo were the big hubs for financial services talent. While these will remain powerful financial centres, since they've got the educational institutions and decades of experience cultivating talent, we will see AI democratising talent.

Regarding hubs for the hot skills that we've discussed above, Bangalore, China and the Middle East come to mind. For example, high levels of investment in the Middle East in technology, banking and FinTech sectors is generating new talent and making the region an attractive hub for entrepreneurial, digital and technology talent.



2. The changing role of capital and shifting capital flows



2.1 The shifting capital landscape

Roundtable participants agreed that the dynamics of capital allocation are transforming, characterised by evolving shifts between sovereign, institutional and private capital. Historically, these three forms of capital operated within distinct spheres: sovereign capital, managed by state-owned entities or sovereign wealth funds (SWFs), primarily focused on long-term national interests; institutional capital, governed by pension funds, insurance companies and asset managers, concentrated on generating stable returns; and private capital, encompassing PE, VC and other non-public investments, pursued higher yields and innovative opportunities.

In recent years, the boundaries between these capital types have increasingly blurred, particularly in the GCC, as noted by a roundtable participant. SWFs, for instance, are generally expanding their portfolios to include more private investments to enhance diversification and achieve alternative sources of returns. This shift is partly a response to the prolonged high-interest rate environment, which has pressured investment professionals to deliver higher returns. Institutional investors are also allocating a greater proportion of their assets to private capital as they chase higher returns.

Private markets are an effective way of channelling money into high-growth sectors, such as AI, or industries that require large-scale capital deployment, such as green projects. As a result, private market assets are likely to continue

to expand. Digital technologies and innovative financial instruments have encouraged greater integration between sovereign, institutional and private pools of capital and lowered barriers to entry. This convergence is fostering a more dynamic and interconnected financial ecosystem. Asset managers will benefit from operating in financial centres with good connectivity to these capital pools.

Retail investors are expected to gain greater access to alternative investments and private markets – areas once restricted to institutional investors. Advances in digital platforms and regulatory adjustments are opening PE, private debt and other alternative asset classes to a wider base of investors. As a result, the share of private assets held by retail investors is forecast to rise. Although SWFs are still expected to hold the lion's share of private assets under management – a forecast 30 per cent by 2032 – the proportion held by retail investors is expected to jump from 16 per cent in 2022 to 22 per cent in 2032.⁵⁷

As sovereign, institutional and private capital pools converge, propelled by digital innovation and greater retail participation, global finance is set to become more interconnected, dynamic and inclusive, creating new frontiers for growth in the future of finance.



2.2 Changing flows of HNWIs, UHNWIs and family offices

Private wealth is rising and is becoming an increasingly vital capital pool underpinning the global financial system. Globally, the number of millionaires is on the rise. There are currently at least 58mn, accounting for 1.5 per cent of the world's adult population.⁵⁸ The US is the most popular country for millionaires, with some 5.5mn calling it home, followed by China, with just over 860,000.⁵⁹ According to the annual World Wealth Report (Capgemini and RBC Wealth Management), there were 139,000 UHNWIs in 2015, a number that had risen to 220,000 by 2024.⁶⁰ All this adds up to a growing pool of potential clients for wealth managers to service and a growing wealth management industry.

HNWIs, UHNWIs, and family offices are also increasingly mobile, choosing to relocate based on factors such as where their wealth will best be serviced and allowed to grow, broader economic opportunities and lifestyle preferences. China lost 13,800 millionaires in 2023.⁶¹ The UK lost 4,200 millionaires, and India lost 5,100.⁶² They leave for a variety of reasons, such as safety and security, financial concerns, taxes, work opportunities, lifestyle reasons, schooling, healthcare and living standards.⁶³

While China and India lost some HNWIs in 2023, they have still seen the highest growth in millionaires over the past decade. The UAE followed closely, with a 77 per cent rise in millionaires from 2013 to 2023.⁶⁴

* An individual with liquid assets exceeding USD 1mn.
† An individual with liquid assets exceeding USD 30mn.

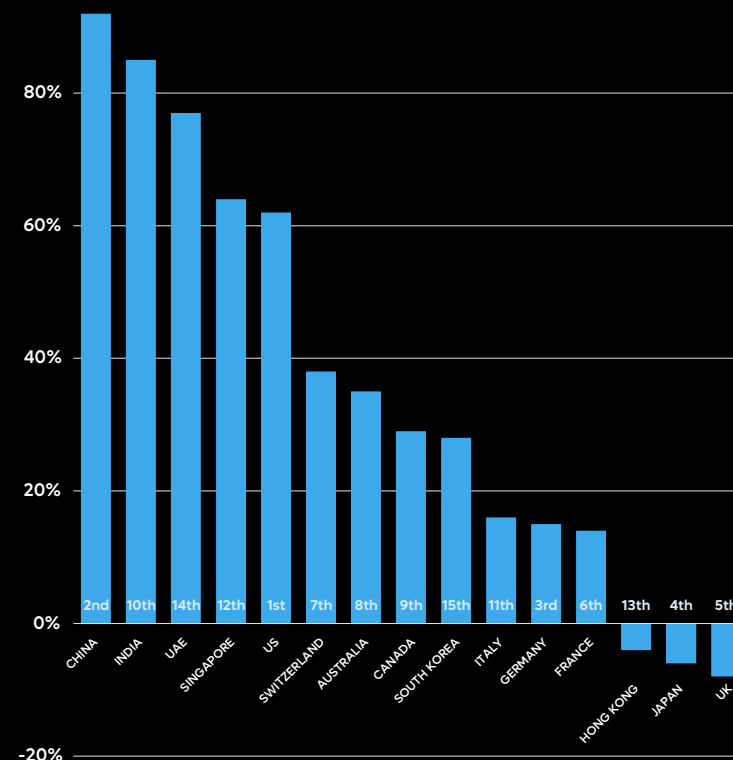
Figure 4: Millionaire growth between 2013 and 2023 and wealth rank⁶⁵

The Middle East has benefited significantly from greater movements of HNWIs and UHNWIs. In 2024, the UAE was projected to receive 6,700 millionaires, more than any other country.⁶⁶ The influx may be attributed to a combination of fast economic growth, business-friendly policies, strategic location and political stability. The US followed with 3,800 millionaires, and Singapore was close behind with 3,500.⁶⁷ Dubai currently has the highest concentration of private wealth in the region – it is home to 72,500 millionaires, 212 centi-millionaires and 15 billionaires.⁶⁸

135,000 HNWIs are expected to relocate in 2025 – a great opportunity for countries with the advantages to attract them.⁶⁹ Such influxes can benefit financial services ecosystems by generating foreign exchange revenue, new business opportunities and creating local jobs. HNWIs and UHNWIs also bolster stock markets when they transfer equity investments or list their companies on local exchanges, injecting liquidity and capital. HNWIs and UHNWIs benefit the economy more broadly through spending on hotels, fine dining, property, wealth management and other services: activities that boost revenue and job creation across multiple sectors.

Family offices, too, are expected to continue to grow in number, estimated AUM and total

Figure 4: Millionaire growth between 2013 and 2023 and wealth rank⁶⁵



wealth. As illustrated by Figure 5 below, more than 2,000 new family offices are expected to be created by 2030.⁷⁰ Between now and 2030, family offices' estimated AUM is forecast to grow 79 per cent – **from USD 3.1trn to USD 5.4trn** – while their total wealth will nearly double, **from around USD 5.5trn to USD 9.5trn, marking a 189 per cent increase since 2019.**⁷¹ Their rapid expansion will strengthen their market influence and increasingly reshape global capital flows.

Figure 5: Global number of family offices and their estimated assets under management and wealth⁷²

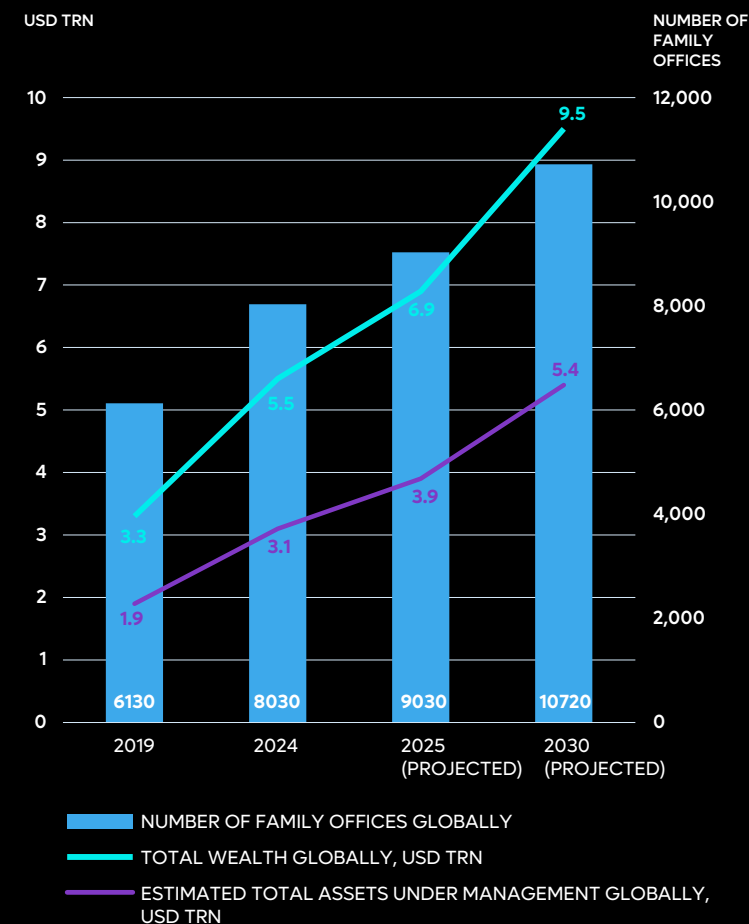
Historically, family offices have focused on preserving wealth across generations. Beyond seeking financial returns, they are increasingly diversifying their portfolios across asset classes and geographies, thereby shaping industry trends and influencing private markets. A key trend is family offices opening multiple branches, both locally and overseas, which is consistent with the increasing globalisation of family wealth. Some 28 per cent of family offices now have multiple branches and expansion will likely continue.⁷³ Increased use of emerging technologies such as AI will be another trend, enhancing family offices' ability to advise clients by leveraging real-time data for improved transparency and decision-making and enhancing risk management, investment analysis and identifying new opportunities. DIFC is emerging as a global hub for family wealth

playing a key role in converting the region's large pools of private and family wealth into investable capital.

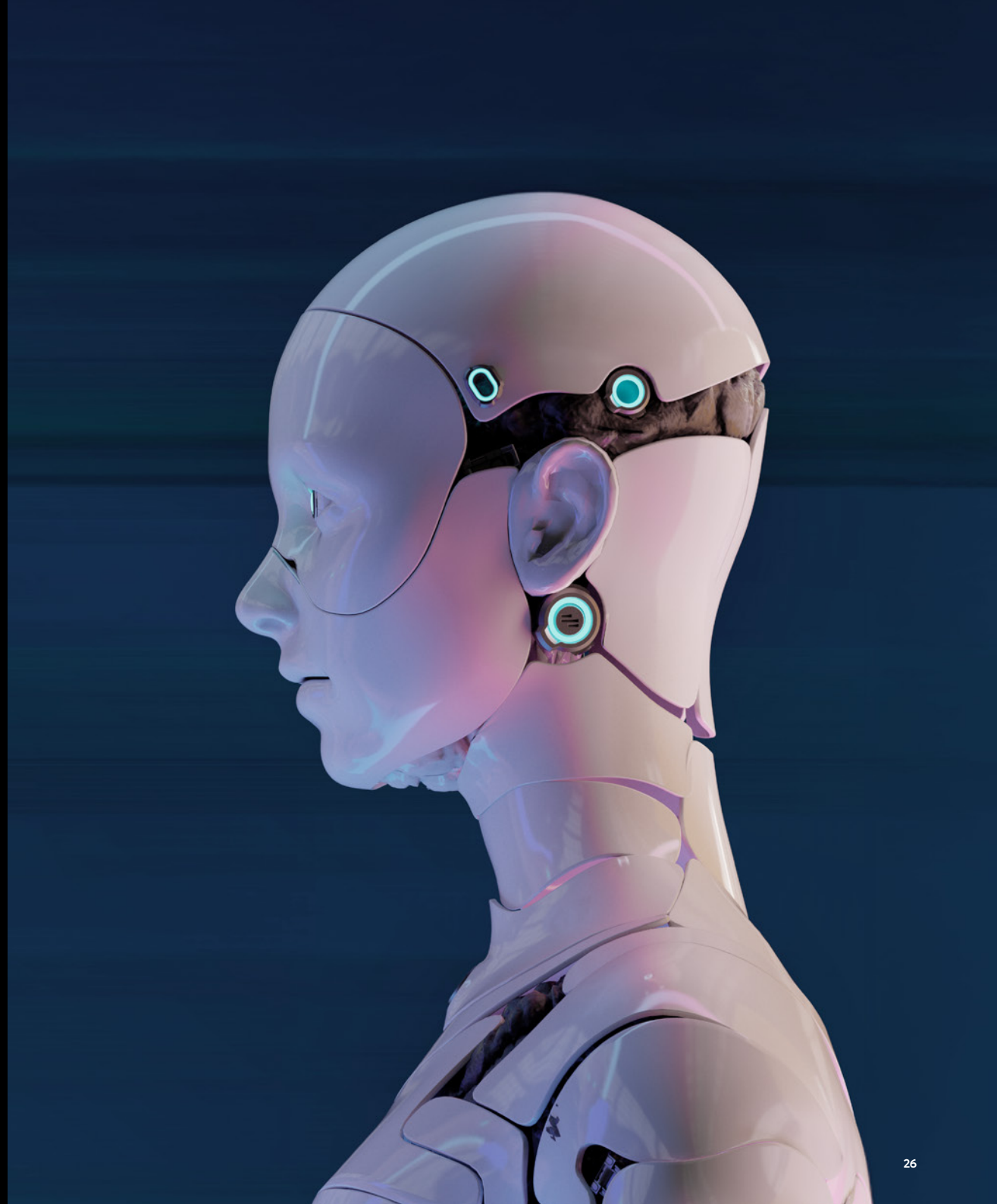
More generally, private wealth has continued to grow globally. In 2024, it rose 4.2 per cent, following a slump in 2022.

⁷⁴ One roundtable participant forecast continued growth in private wealth and private wealth channels, attracting asset managers and funds. The Middle East is a key destination. Wealth is growing at a 4.8 per cent pace in EMEA (Europe, Middle East and Africa), 4.4 per cent in Asia Pacific and 3.5 per cent in the Americas.⁷⁵ At the same time, we are seeing greater wealth transfers between generations, a trend likely to continue. USD 18.3trn of wealth is projected to be handed down globally by 2030 – the largest intergenerational transfer of assets in history.⁷⁶ Assets being passed down and spread among subsequent heirs will create a sluice of cash and new clients for the wealth management industry. Unlike previous generations, younger inheritors have different values and approaches to money, emphasising factors such as tech opportunities, sustainability and social impact investing. Wealth managers who can capture these evolving preferences will benefit. Heirs will not only inherit existing portfolios but may further diversify them, integrating innovative asset classes such as PE and digital assets.

**Figure 5:
Global number of family offices and their
estimated assets under management and
wealth⁷²**



3. Technology, transformation and regulation



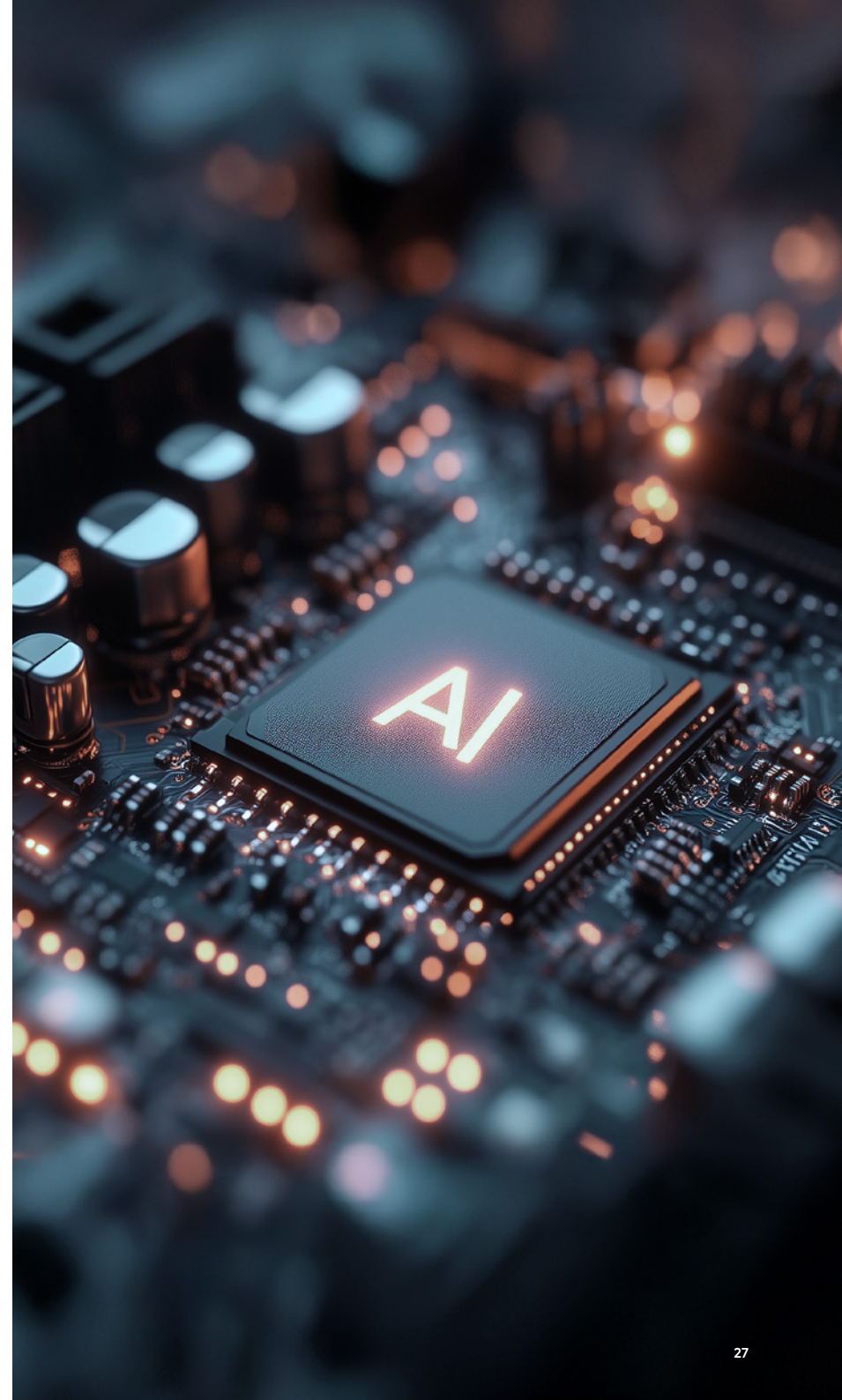
3.1 AI

At the forefront of the Future of Finance is AI, which has the potential to revolutionise all segments of the industry, from customer services to algorithmic trading, enhancing efficiencies and creating new revenue streams. PwC forecasts AI could contribute as much as USD 15.7trn to the global economy by 2030, with financial services among the sectors expected to benefit most.⁷⁷ Already reshaping the financial services industry, AI offers both new opportunities and new challenges.

- **The unlocking of new revenue streams.** Investment in AI technologies within the financial serv sector is growing rapidly, which could potentially unlock new revenue streams. VC investment in AI and FinTech start-ups has surged, particularly in innovative areas such as payment systems, wealth management and cybersecurity. Established financial institutions are investing in AI to maintain a competitive advantage, both through partnerships with technology companies and in-house development.
- **More insightful strategic decision-making.** Beyond operational improvements, AI contributes to strategic decision-making by providing insights derived from big data analytics. financial services leaders can use AI-driven tools to analyse and forecast market trends, assess company

and other asset performance and evaluate investment strategies, enabling more informed investment decisions.

- **Enhanced efficiency and lower costs.** By leveraging algorithms to process large quantities of data, AI can automate routine tasks with increased accuracy. Roundtable participants agreed that large language models (LLMs), in particular, are creating efficiencies by streamlining core business operations and building resilience to threats by strengthening risk management, anti-money laundering (AML) controls, fraud detection and regulatory compliance. By running automated KYC checks, for instance, AI can detect fraud, mitigating risks for customers, reducing costs for banks and other financial services institutions, and increasing the integrity of the broader financial system. According to BlackRock, AI could halve the time taken on 49 per cent of tasks in financial services, compared to 31 per cent in retail, 20 per cent in healthcare and 15 per cent in construction.⁷⁸
- **Improved customer experience and retention.** With the adoption of LLMs and AI-driven chatbots, traditional customer service roles are being automated, offering 24/7



service. Beyond this, AI can also provide personalised and tailored financial advice and recommendations by analysing individual customer data and behaviour.

→ **Transformation of the payments industry.**

AI can facilitate a surge in cross-border payments and enable context-aware payments. Cross-border payments can be limited by national regulation, central bank operating hours, differing payment systems and national data protection legislation. AI can help reduce financial friction by, for example, simplifying adherence to regulations such as AML and KYC barriers. The implementation of ISO 20022, a global standard that aims to ensure greater consistency in data exchanges, will make payments faster and more transparent. Phased rollouts are taking place with a current deadline of November 2025. The adoption of ISO 20022 will need to be deployed consistently and across jurisdictions.

AI adoption in financial services is accelerating. Spending on AI by the sector is projected to more than double to USD 97bn by 2027, growing 29 per cent annually.⁷⁹ Current adoption trends highlight a shift towards more widespread, integrated and strategic use of the technology. According to a World Economic Forum survey, 85 per cent of financial services

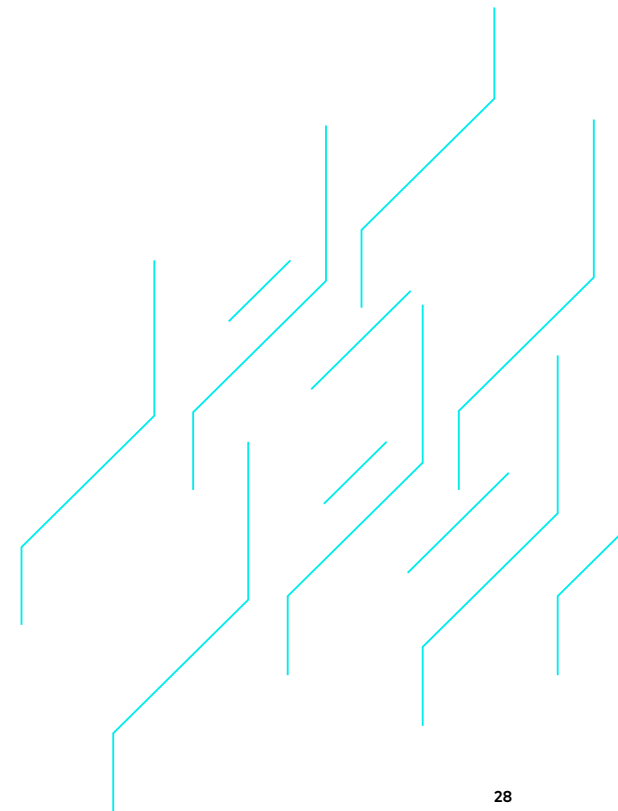
firms already deploy some form of AI in their operations to enhance customer experience, improve risk management and streamline fraud detection.⁸⁰ More recently, Generative AI (GenAI) has attracted attention for its ability to create new content and solutions, promising further transformation as institutions scale AI deployments across operations. While roundtable participants noted the current slow pace of AI adoption at traditional banks, they agreed this is likely to change given its huge advantages.

Although the cost of initial AI implementation can be high, first movers can often gain a competitive advantage over their peers. To integrate AI effectively, financial service firms should establish clear strategies, invest in robust data infrastructures and ensure teams possess the necessary technical and analytical skills. Rigorous governance frameworks and transparent processes will help mitigate potential risks such as data privacy concerns and regulatory scrutiny. Financial services firms should encourage continuous learning and adaptation to sustain AI-driven growth and ensure long-term relevance in an increasingly competitive market.

Given the sector's focus on quantitative analysis, data processing and predictive modelling, financial services professionals may find their jobs particularly affected

by AI adoption.⁸¹ GenAI, in particular, will impact the day-to-day operations of financial services professionals through its ability to streamline tasks, freeing up time professionals can dedicate to other firm outputs. While greater AI integration will likely result in some job displacement, it will also create specialised positions in such areas as AI model development and model risk management.

Professionals equipped to bridge tech and finance who possess such soft skills as client engagement will likely be in greater demand, particularly in services-focused areas such as wealth management. As competition for talent intensifies, global financial hubs may use incentives such as higher salaries and flexible working arrangements to attract these multi-skilled experts. Start-ups and FinTechs will likely flourish in providing new solutions to the market, as FinTechs are more likely to develop new AI-based products than incumbents, which will use AI to improve existing products and operations.⁸²



3.2 What is needed?

Widespread AI adoption, particularly within the financial services industry, will necessitate digital infrastructure (e.g. data centres), high-quality data, energy resources and consistent global regulation:

→ **AI systems require strong digital infrastructure to support the transmission of large volumes of data for real-term processing and decision-making.**

The push to build and enhance this infrastructure is a growth opportunity, as global investment will be needed to realise the promise of AI in FS, from real-time trading to instant cross-border payments.

→ **AI deployment necessitates efficient, scalable and secure data centres that can store and manage the large volumes of data necessary for AI models and algorithms.**

The increased demand for AI data centres, likely to increase further with the advent of GenAI, offers investment opportunities across the value chain. Data centre financing is becoming increasingly common, with such investments being packed into securities. However, supply is lagging: according to McKinsey, the world will need to build at least twice the data centre capacity created since 2000 in less than

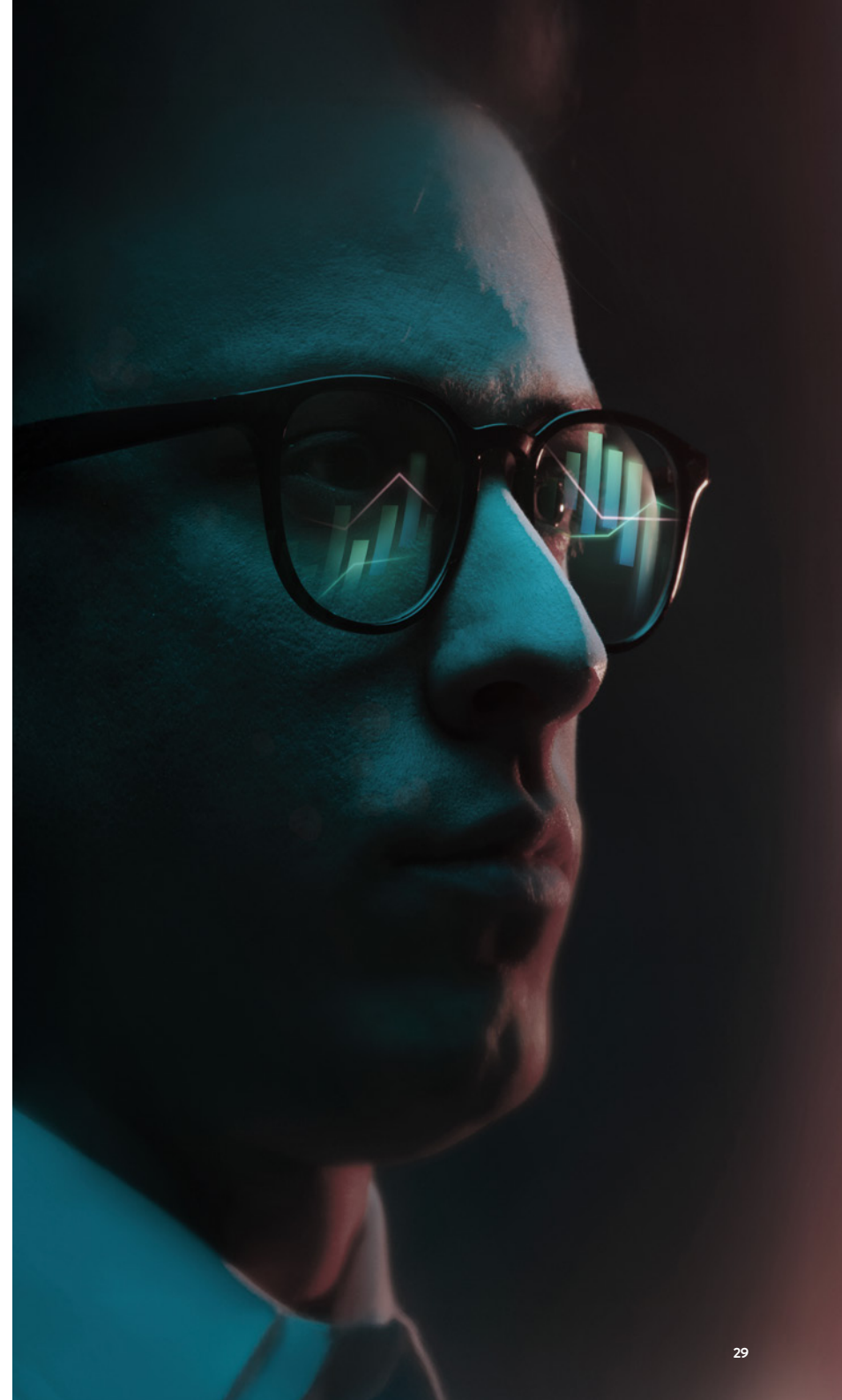
a quarter of the time to avoid a deficit – a significant opportunity for financial services firms to provide financing.⁸³

→ **AI system performance depends on high-quality and accessible data.**

However, securing this data presents a notable challenge. Financial services firms working to improve data governance and integration will benefit the most, with those investing in advanced data management systems also at an advantage.

→ **Regulations governing cross-border data flows and data localisation requirements are also important.**

The current complex global web of regulations governing data transfers and storage costs makes it costly for global Financial services firms to stay compliant. For example, the EU's AI Act is seen as restrictive to the sector's growth – a survey among over 100 European startups found that over 50 per cent believe the AI Act will slow down AI innovation in Europe.⁸⁴ Global consistency in regulation that balances innovation while encouraging data interoperability and secure movement of data across borders would add momentum to the uptake of AI within financial services and the industry's growth.



3.3 Global AI regulation trends

There is growing recognition of the need for robust AI oversight, yet variance in global standards is already emerging.

The EU's AI Act, which came into force in August 2024, is the most comprehensive framework, segmenting AI applications into different risk categories and imposing stringent requirements on high-risk use cases, while China's Interim Measures for the Management of Generative Artificial Intelligence Services Regulations impose strict controls over data flows, content moderation and ethical guidelines. Other nations, such as the US, are prioritising innovation and growth over compliance, providing businesses with fewer constraints.

Within the GCC, and the UAE in particular, regulatory approaches have generally supported innovation and AI deployment. The UAE appointed the world's first AI minister under the Ministry of State for Artificial Intelligence, Digital Economy and Remote Work Applications, which leads dynamic government-led initiatives to actively support the development and deployment of AI. The country's AI strategy projects that AI can generate USD 91bn by 2031 and aligns with broader national economic targets that aim to boost GDP by leveraging the technology across sectors, including FS.⁸⁵ During the Dubai AI & Web3 Festival in 2024, DIFC announced a first-of-its-kind Dubai AI Licence as well as the 'AI as a Service' model.⁸⁶ Both initiatives aim to continue to propel

the Emirate's supportive and attractive AI ecosystem.

Global regulatory divergence is likely to continue, and this fragmentation will pose a key challenge to the role AI and other emerging technologies play in the Future of Finance. It will force financial services institutions and technology providers to navigate a maze of regulations, which may stifle innovation or limit market reach. Similarly, divergent technology standards could lead to isolated digital ecosystems, slowing adoption rates and limiting interoperability. Global competition and geoeconomic realignment, meanwhile, could increase regulatory divergence. Addressing fragmentation will help realise the full potential of AI and other emerging technologies in financial services.

There are signs of partial convergence in such areas as transparency and accountability. Many proposed regulations emphasise data privacy, emphasising user control over their data and requiring organisations to maintain protections. In recent years, the UAE, for example, has strengthened its personal data protection landscape by issuing new legislation and guidelines that reflect global best practices, as it looks to position itself as a safe and trusted AI hub. A shared global standard could become a cornerstone for further regulatory alignment that balances innovation with data protection.



3.4 Other technological shifts

Other emerging technologies are reshaping traditional business models in financial services. Digital banking platforms are providing seamless, customer-centric experiences, while FinTech solutions continue to disrupt established payment systems. Total transaction value in digital payments is forecast to reach USD 20.37trn in 2025.

⁸⁷ RegTech is modernising compliance by automating complex processes, while InsurTech solutions are unlocking new, data-driven insurance models. One roundtable participant noted that RegTech companies, in particular, are relatively new and said there was an opportunity for early movers to become leaders in the space. Meanwhile, interest in CBDCs, digital assets and tokenisation is rising, bringing novel opportunities – and challenges – in areas ranging from cross-border payments to asset tokenisation.

Digital assets

Cryptocurrencies, particularly Bitcoin, have evolved from digital curiosities into their own asset class. Periodic surges in value – such as Bitcoin's surge to a record high of USD 107,000 following the US election, under assumptions of Trump's support for crypto – have made it an attractive alternative source of risk and return for certain investors.

⁸⁸ Compared with traditional asset classes,

major cryptocurrencies are often more liquid, offer 24/7 trading and have shown high returns on investments – although these returns have been accompanied by high volatility and risk. Market enthusiasm for digital assets was bolstered by the approval of crypto-linked spot exchange-traded funds (ETFs) in 2024, with more approvals expected in 2025 and beyond. ETFs offer access to digital assets on platforms such as Nasdaq, reflecting growing mainstream acceptance. Driven by growing demand, traditional banks and asset managers are increasingly recognising crypto as a potential investment class for portfolio diversification. Despite initial visions of crypto as a replacement for conventional currency, the market continues to treat it largely as a speculative asset rather than a mode of currency, drawing in institutional and retail investors seeking to capitalise on price fluctuations.

Cryptocurrencies still face hurdles to becoming mainstream legal tender. Regulatory uncertainty, alongside concerns about price volatility, scalability and security, continue to hamper adoption. Whether it remains a volatile speculative asset or becomes a more stable financial tool depends largely on future regulatory frameworks and broader acceptance by financial institutions. Hubs for crypto trading are emerging in jurisdictions with forward-thinking regulatory frameworks, such as Dubai, with DIFC enacting the world's first Digital Assets Law. ⁸⁹



CBDCs, in contrast, seem likely to become a central part of the future financial landscape, with more than 100 countries, including 19 G20 economies, actively exploring their potential.⁹⁰ Wholesale CBDCs target bank and corporate transactions, while retail CBDCs are aimed at the general public. The real opportunity lies in wholesale CBDC development, enabling simultaneous settlements that mitigate the costs and risks associated with financial friction. Government-backed and designed for secure, near-instant settlements, CBDCs can unlock significant operational savings and open new revenue streams, particularly for SMEs weighed down by lengthy settlement times and high exchange costs that reduce competitiveness.

Looking ahead, CBDCs will continue to mature through successful pilot initiatives and growing global interest. Project mBridge – led by multiple central banks* in partnership with the Bank for International Settlements (BIS), alongside commercial banks – demonstrates how wholesale CBDCs can streamline cross-border payments, reducing counterparty risk and transaction costs.⁹¹ As more pilot projects yield tangible benefits, adoption could accelerate, especially in major financial centres and trade-focused economies. Inspired by these successes, smaller markets may follow suit, accelerating CBDC experimentation and implementation.

Increased reliance on digital currencies will necessitate greater regulatory compliance,

interoperability with existing payment systems and robust cybersecurity. Success will likely hinge upon ensuring compatibility and interoperability between multiple CBDCs and payment systems, both domestically and internationally, to avoid fragmentation and unlock their full potential.

The digital tokenisation of assets will remain an important trend in 2025. Tokenised assets are digital representations of assets such as stocks and bonds. Their market capitalisation is relatively small but could grow over the next few years, particularly given the advantages they have in terms of fostering the simultaneous and real-time transfer of assets, which increases trading efficiency. Tokenisation could lead to the fractionalisation of assets, making investing more accessible, reducing settlement times and enhancing transparency in the trade of securities. In general, capital markets are destined to see faster settlements. North America is moving to T+1, and China is at T+0, but in the long term, we will likely reach instantaneous settlements. The tokenisation of assets could accelerate this trend.

FinTech, RegTech and InsurTech

FinTechs have introduced innovation and continue to drive growth in the financial services sector, especially as digital payments continue to replace cash. Over the next few years, software and tech firms are

likely to capture an increasing share of payment origination volume, challenging the dominance of traditional banks in the payments landscape. This shift is fuelled by the rise of embedded finance solutions, where merchants integrate financial services directly into their platforms. In parallel, incumbents have embraced innovation and digital solutions. The UAE, for example, is projected to see its FinTech market grow from USD 3.16bn in 2024 to USD 5.71bn by 2029 as a result of its progressive regulatory environment and adoption of digital banking.⁹² The global future of finance will likely be one where there is increased demand for innovative FinTech solutions, particularly in economies where digital adoption promises large gains, such as India and Africa.

With a growing variation in financial regulations across jurisdictions, RegTech solutions are becoming essential for enhancing operational efficiency and ensuring compliance. Leveraging AI and machine learning, advanced RegTech tools can improve efficiency by helping financial services firms comply with variable regulations and complex compliance processes, minimising the risk of regulatory breaches. One participant noted that RegTech remains a relatively new space, presenting opportunities for first movers, such as the UAE, to become leaders in the field.

However, the fragmentation of regulatory frameworks may challenge firms, again requiring them to navigate a patchwork of rules that can complicate cross-border operations and increase costs.

Within the insurance industry, InsurTech has introduced data-driven models and digital platforms that enhance customer experience and operational efficiencies. The Gulf's digitisation, favourable government regulations and a competitive insurance market, with both conventional and takaful solutions, have accelerated the adoption of digital offerings to meet evolving policyholder demands. Innovations such as personalised insurance policies, automated claims processing and predictive analytics are enabling insurers to offer more tailored and responsive services. Looking ahead, AI, blockchain and greater integration with the Internet of Things (IoT) could further improve risk assessment and fraud detection, thereby increasing operational efficiencies, profitability and trust.

Conclusion



This report highlights a dynamic and evolving landscape in global finance, investment and technology, driven by macroeconomic shifts, changing capital flows and technological advancements. Emerging markets, particularly in ASEAN and MEASA, are positioned to play a pivotal role in shaping global growth through rapid economic expansion and flourishing digital economies. Their growth is also leading to the emergence of new economic corridors. The interplay of these trends is accelerating an eastward shift in the economic centre of gravity and providing new opportunities for investors and financial services professionals alike. Simultaneously, developed economies such as the US continue to attract capital due to their strong fundamentals, technological leadership and strategic policy directions.

The implications of these shifts for the global economy and the Future of Finance are profound. Blurring boundaries between sovereign, institutional and private capital are generating growth in private markets and alternative investments and fostering a more interconnected financial ecosystem. Meanwhile, the increased mobility of HNWIs, UHNWIs and family offices is creating opportunities for destination countries and greater asset diversification. Technological advancements, particularly in AI and digitisation, promise to reshape the industry by improving efficiencies and unlocking new investment opportunities and revenue streams.

What we are seeing is nothing less than a paradigm shift toward a more diversified and technology-driven future. However, while opportunities abound, uncertainties remain, and firms must navigate such risks as inflationary pressures, rising protectionism, geoeconomic uncertainties, a talent gap and regulatory divergence. By harnessing innovation, adapting to change and fostering collaboration, financial institutions can position themselves to grow and thrive in the evolving future of finance.



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About Dubai International Financial Centre

Dubai International Financial Centre (DIFC) is one of the world's most advanced financial centres, and the leading financial hub for the Middle East, Africa, and South Asia (MEASA), which comprises 77 countries with an approximate population of 3.7bn and an estimated GDP of USD 10.5trn.

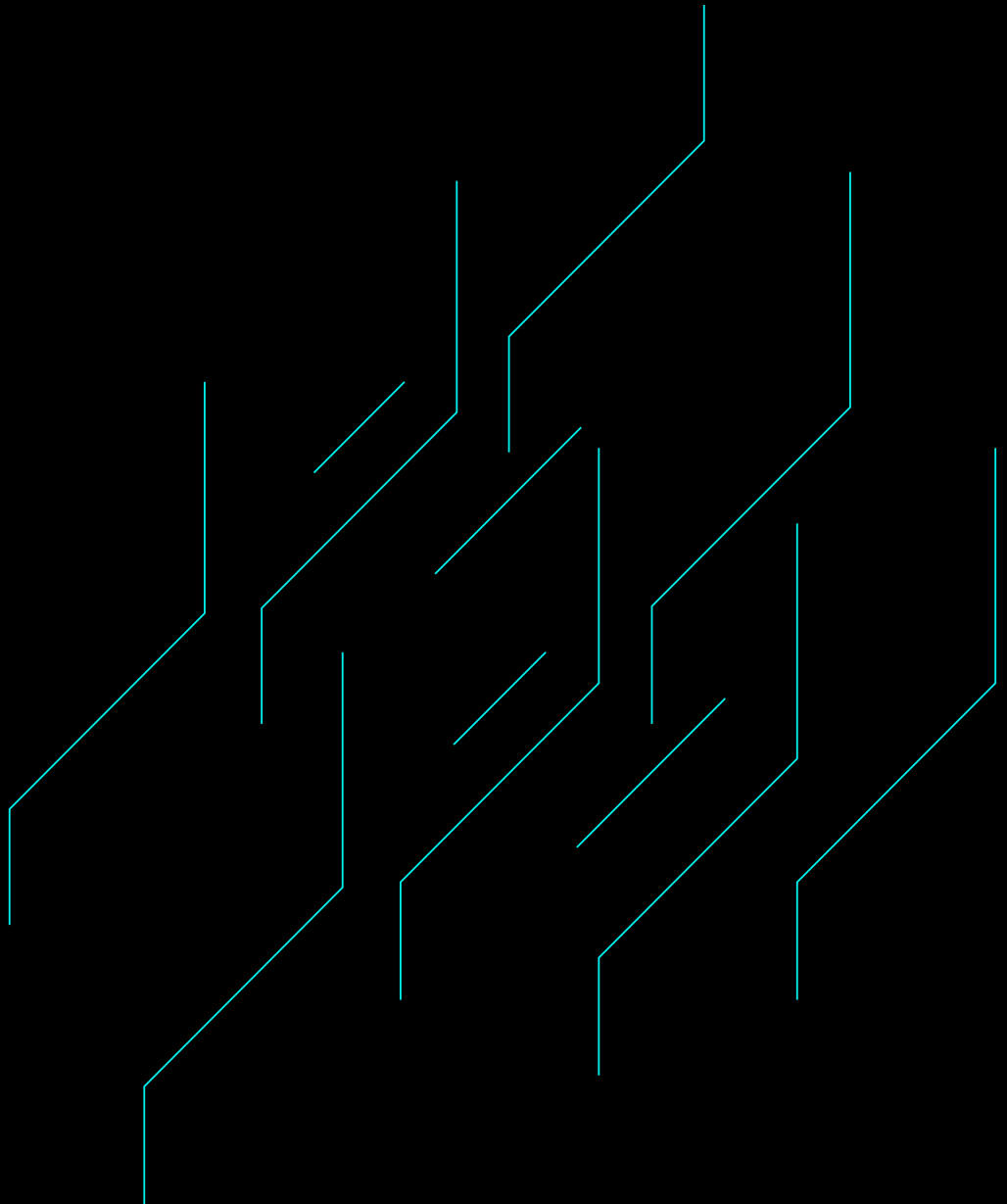
With a 20-year track record of facilitating trade and investment flows across the MEASA region, the Centre connects these fast-growing markets with the economies of Asia, Europe, and the Americas through Dubai.

DIFC is home to an internationally recognised, independent regulator and a proven judicial system with an English common law framework, as well as the region's largest financial ecosystem of 46,000 professionals working across over 6,900 active registered companies – making up the largest and most diverse pool of industry talent in the region.

The Centre's vision is to drive the future of finance through cutting-edge technology, innovation, and partnerships. Today, it is the global future of finance and innovation hub offering one of the region's most comprehensive AI, FinTech and venture capital environments, including cost-effective licensing solutions, fit-for-purpose regulation, innovative accelerator programmes, and funding for growth-stage start-ups.

Comprising a variety of world-renowned retail and dining venues, a dynamic art and culture scene, residential apartments, hotels, and public spaces, DIFC continues to be one of Dubai's most sought-after business and lifestyle destinations.

For further information, please visit our website: difc.ae, or follow us on LinkedIn and X [@DIFC](https://twitter.com/DIFC)



Driving the Future of Finance

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